

IN THE SECOND SESSION OF THE SEVENTH PARLIAMENT OF THE FOURTH
REPUBLIC OF GHANA



**REPORT OF THE
FINANCE COMMITTEE**

ON THE

**LOAN AND FINANCING AGREEMENT BETWEEN
THE GOVERNMENT OF THE REPUBLIC OF
GHANA AND KREDITANSTALT FUR
WIEDERAUFBAU (KFW), FRANKFURT AM MAIN
FOR A LOAN AMOUNT OF THIRTEEN MILLION
EUROS (EUR13,000,000.00) AND A FINANCIAL
CONTRIBUTION OF AN AMOUNT OF ONE
MILLION EUROS (EUR1,000,000.00) TO CO-
FINANCE THE ESTABLISHMENT OF A DEPOSIT
PROTECTION SCHEME IN GHANA**

PARLIAMENT OF GHANA LIBRARY

13TH MARCH, 2018

1.0 INTRODUCTION

The **Loan and Financing Agreement** between the **Government of the Republic of Ghana** and **Kreditanstalt für Wiederaufbau (KfW), Frankfurt am Main** for a loan amount of *Thirteen Million Euros* (EUR13,000,000.00) and a financial contribution of an amount of *One Million Euros* (EUR1,000,000.00) to co-finance the establishment of a **Deposit Protection Scheme in Ghana** was *laid* in the House on Friday 2nd March, 2018 by the Honourable Minister for Roads and Highways, Mr. Kwasi Amoako-Atta on behalf of the Minister for Finance.

Pursuant to Article 103 of the 1992 Constitution and Orders 169 and 171(1) of the Standing Orders of the House, the Agreement was *referred* to the Committee on Finance for consideration and report.

The Committee subsequently met and discussed the Agreement with the Minister for Finance, Hon. Ken Ofori-Atta, Deputy Minister for Finance, Hon. Kwaku Kwarteng, Governor of the Bank of Ghana, Dr. Ernest Addison as well as officials from the Ministry of Finance and the Bank of Ghana. The Committee hereby submits this report to the House pursuant to Order 161 of the Standing Orders of the House.

The Committee is grateful to the Honourable Minister for Finance and his Deputy, the Governor of the Bank of Ghana and officials from the Ministry of Finance and the Bank of Ghana for attending upon the Committee.

2.0 REFERENCES

The Committee referred to and was guided by the following documents *inter alia* during its deliberations on the Agreement:

During the 2008 global financial crisis, there were massive deposit withdrawals especially in the more sophisticated financial sectors of the Western Economies. In response, several States formulated state guarantees and subsequently increased the level of coverage of their deposit insurance schemes. This helped in facilitating the recovery of deposits in those economies.

Deposits constitute a comparatively inexpensive means of funding for banks. It enables banks to fulfil their function of financing the economic sectors. The significance of a deposit insurance scheme therefore extends well into the realms of economic development and poverty reduction. Also through public education and sensitisation, deposit insurance systems can play a major role in educating the public about safe methods of saving and/or investing their money to help build trust and confidence in the financial sector.

The Ghana Deposit Protection Act, 2016 (Act 931) was passed in 2016 to establish a Ghana Deposit Protection Scheme to be managed by Ghana Deposit Protection Corporation (GDPC). The Act also proposes the establishment of a Deposit Protection Fund for the operation of the Scheme. The Bank of Ghana and the KfW are through this Agreement providing the seed money (capitalisation) for the establishment of the Deposit Protection Fund.

3.1 OBJECTIVE OF THE AGREEMENT

The objective of the Agreement is to provide funds for the establishment of the Deposit Protection Fund with the view to protecting depositors from loss in the case of a bank failure and also to support the Bank of Ghana in meeting one of its objectives of fostering the soundness, solvency and efficient functioning of a stable, market-based financial system in Ghana.

5.2 Maintenance of Sound and Stable Banking Sector

The Committee noted that the establishment of a deposit protection scheme in Ghana would make an important contribution to the maintenance of a sound and stable banking sector. This will in turn promote the development and growth of financial intermediation. By re-enforcing public confidence in deposit-taking institutions and also increasing public awareness and other initiatives that educate the public about safe methods of saving/investing their money, deposit protection can improve deposit mobilisation. This is of particular relevance since the low savings culture in Ghana is attributable largely to financial illiteracy.

5.3 Application of Funds

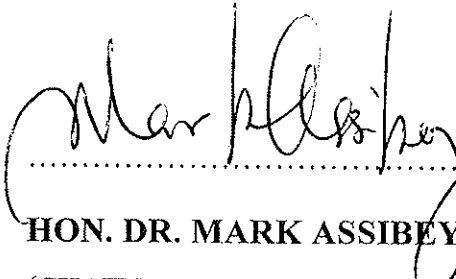
The Committee observed that €0.5million of the Grant amount of €1 million would be used for the setting-up and institutional strengthening of the Ghana Deposit Protection Corporation (GDPC) whilst the remaining €0.5million will be applied towards institutional strengthening of the Bank of Ghana. The Loan of €13 million would however be strictly applied towards the co-financing of the initial capital for the Deposit Protection Fund.

5.4 Counterpart Funding


As to what the bank of Ghana was doing to support the establishment of the Scheme, the Committee was informed that the Bank is

of a **Deposit Protection Scheme in Ghana** in accordance with article 181 of the 1992 Constitution of the Republic of Ghana.

Respectfully Submitted.



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HON. DR. MARK ASSIBEY-YEBOAH
(CHAIRMAN, FINANCE COMMITTEE)



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LOUIS YIADOM BOAKYE
(ASST. CLERK, FINANCE COMMITTEE)

13TH MARCH, 2018